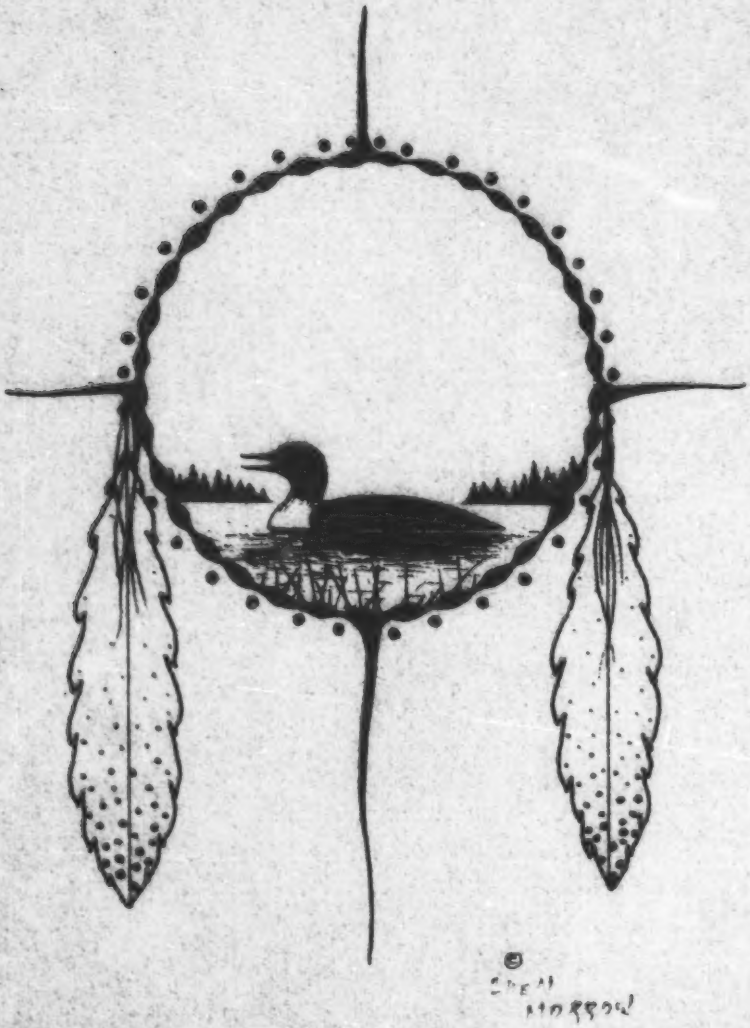
SaskPower
Northern Enterprise Fund

1998 ANNUAL REPORT



SaskPower Northern Enterprise Fund

The SaskPower Northern Enterprise Fund was established in 1988 to provide economic and educational support to the residents of northern Saskatchewan.

Revenue for the Fund is based on electricity generated at the northern hydroelectric stations of SaskPower.

Executive Director's REPORT

GORDON SHAW
Executive Director

The SaskPower Northern Enterprise Fund (the "Fund") reached an important milestone in 1998. June 30, 1998 marked the end of SaskPower's ten (10) year commitment to provide capital contributions to the Fund based on electricity generated at the northern hydro electric stations. Over that period, SaskPower contributed in excess of $9 million and untold hours to the development of the Fund. In return, the Fund undertook to provide economic and educational support to the residents of northern Saskatchewan.

In retrospect, we are confident that the Fund has contributed significantly to the development of northern Saskatchewan. Over the past decade, the Fund has supported:

- over 400 northern businesses with financing in excess of $13 million;
- some 38 northern businesses with capital grants totalling $420 thousand;
- the creation and/or maintenance of over 1,100 jobs; and
- 80 northern students with scholarships totalling $344 thousand.

We intend to improve on this record over the next decade as we continue to build a strong, effective and financially – viable northern institution.

Many of the Fund's activities are less tangible, yet equally important, and serve to define the very nature of the organization.

- As a relationship lender, we build our support around the clients needs first and foremost.
- As a developmental lender, we seek creative and practical solutions to our clients needs whenever required.
- As a network lender, we build partnerships and alliances with other finanical institutions, with government and with industry.

The accomplishments of the Fund have been possible with the support of SaskPower and the people of northern Saskatchewan. I would also like to acknowledge the contributions made by the Corporate and Investment Boards of Directors, Fund staff and our network partners. The contributions of these various interests ensure that the Fund is prepared to meet the challenges of the future.

Executive Director

101-05427/

Investment Fund

DIRECTORS

ELMER CAMPBELL

Chief
Buffalo River Dene Nation
Dillon

DOREEN MORIN

Homemaker
Sandy Bay

ROY CHEECHAM

Chief
Clearwater River
Dene Nation
La Loche

CAROL ROWLETT

Project Liaison
Coordinator
Office of Northern
Affairs
La Ronge

LAWRENCE McINTYRE

Chief Executive Officer
Des Nedhe Development
Corporation
Patuanak

JOE ROBERTS

Band Councillor,
Lac La Ronge Indian
Band
Stanley Mission

HAROLD CARRIERE

Businessman
Cumberland House

Business Profile

METHY CONSTRUCTION & MAINTENANCE CORPORATION

Northern Village of La Loche, La Loche

After first incorporating in 1984, Methy Construction and Maintenance Corporation in La Loche has developed to make employment the overall winner.

Because there were no local building contractors in the mid '80s, the Village decided to construct new homes and fix up others.

"For a number of years the focus was on building new houses and doing renovations," says Doug Gailey, Methy's general manager who also is the village's administrator. Methy is a separate entity, owned by the village.

"It's board of directors are the mayor and the six councillors," adds Gailey.

As the years passed, Gailey says Methy went into property development and built the provincial building in the middle of the community.

"We own it and lease it back to the government agencies who are in it," says Gailey. "We also own one duplex and we are nearing completion on a four-plex."

The community's liquor store was also built by Methy and is owned by the village.

Gailey says as former employees ventured out into the construction field on their own within the community, Methy decreased its work in building construction.

In early 1997, after months of negotiations, Methy acquired and purchased heavy equipment and ventured into the road building business.

"We built roads primarily for Mistik Management," says Gailey, adding about 25 people are employed full-time in that department.

It was in the forestry sector that Gailey and the others saw another opportunity and were a awarded a small contract in the winter of 1997/98.

"This past fall we harvested about 30,000 cubic metres of wood," says Gailey.

"Between road building and forestry we're hoping to sustain 100 jobs year-round."

The money required for the heavy equipment came from three financial sources – the Northern Development Fund, the Beaver River Community Futures Development Corporation and the SaskPower Northern Enterprise Fund.

Gailey says the SaskPower Northern Enterprise Fund has been very cooperative and supportive of Methy's business ventures.

Business Profile

KEVIN HANSON TRUCKING

Kevin Hanson, Buffalo Narrows

After several years working for Louis Chartier and Kim Hanson, trucker Kevin Hanson felt he was ready to pick up his own hauling contract. Today, thanks to the SaskPower Northern Enterprise Fund, the 26-year-old hauls tree-length logs for Mistik Management from the Buffalo Narrows and Dillon Fur Blocks to NorSask Forest Products sawmill and Millar Western Pulp mill, near Meadow Lake.

Hanson says when a contract opportunity came up with Mistik he decided to apply.

"I approached the co-management board and I also spoke to Mistik," said Hanson, who says he got verbal support prior to proceeding with his application.

Next he needed financing for a 1999 Western Star semi-trailer unit.

Hanson says more than half the money required to get into business came from the SaskPower Northern Enterprise Fund with the other money coming from his own pocket, as well as Aboriginal Business Canada of Industry Canada.

"If it wasn't for the SaskPower Fund it would have been a lot tougher," says Hanson. "They were very supportive and easy to talk to."

A resident of Buffalo Narrows, Hanson has experience as both a heavy equipment operator and a truck driver since receiving his 1A license in 1993.

Hanson says he has plans to haul crushed gravel to the mines in Northern Saskatchewan this summer.

"I'll also haul equipment from Buffalo Narrows to Cluff Lake, Key Lake and McAurther Mines and back again," says Hanson.

For most of the log haul season, from mid-November to mid-March, Hanson says he does the majority of the driving but when the trucks are running 24-hours a day, he hires another driver for the second shift.

Hanson says when driving he's never lonely because the radio never stops.

"They're a great bunch of guys. We're like one big family," says Hanson. "We keep in contact because we're telling each other where we are so we don't meet on any sharp corners."

Hanson's business is going so well, he says he'd like to purchase a second truck and a lowbed so he will be able to haul Mistik's equipment as well.

Business Profile

AMY'S BAR & GRILL

Robert & Myrna Bouvier, Beauval

Amy's Bar & Grill/Motel started out as a modest idea for an eatery and offsale liquor outlet which grew bigger and bigger as the plans unfolded.

"The initial plan was to have a restaurant with offsales," says Robert Bouvier, who first started planning the business venture almost two years ago. The business now includes a restaurant, bar and motel.

The new building to house this multi-business operation was built at Beauval Forks, near the junction of highways 155 and 165 in northwest Saskatchewan.

Bouvier chose the central location after completing a feasibility study with the help of a consultant from Saskatoon.

"My range for potential customers is greater than Buffalo Narrows as to the amount of people over 19," he says, adding there are several communities in the near vicinity with neither liquor vendor nor bar.

Bouvier notes the motel was a natural addition because two other lodges in the area are almost always full.

Beauval's mayor says he's glad to see this development in the area.

"It's good for the community to see economic development happening," said Sandy Rediron.

The new business employs seven full-time people and the restaurant and bar seat 40 people each. The motel has seven rooms: one is wheel-chair accessible.

Bouvier says he has always been interested in developing this area of the province. With forestry going strong and oil and gas exploration looming, Bouvier says there should be lots of traffic.

Bouvier, a truck driver with Northern Resources Trucking for the past 13 years, says he's planning to sell his outfit in the near future so he can turn all his attention to the business.

Amy's Bar & Grill is a family-run affair with Robert, his wife Myrna and three of their four children as employees. Myrna will also keep her job at the Northern Lights School Division Sub-Office in Beauval.

Bouvier says financing for the project has come from a variety of groups including: SaskPower Northern Enterprise Fund, Beaver River Community Futures Development Corp., Women Entrepreneurs of Sask, SaskNative Economic Development Corp. and the Clarence Campeau Development Fund.

"If it wasn't for the financial groups believing in the North this wouldn't have been possible."

Scholarship Profile

RHONDA MISPONAS, PATUANAK

Nursing Education
SIAST, Saskatoon

Rhonda Misponas sounds wistful, somewhat older than her twenty-four years. "Since my father passed away when I was a kid, I've always wanted to be a nurse."

She is on a mission, one she has prepared for her entire life.

Misponas is in her first year of Nursing Education at SIAST in Saskatoon. It is a four-year SIAST - U of S Combined program. After two years at Kelsey the students move over to the University for the final two years.

Misponas, a member of English River First Nation, was born in Ile-a-la Crosse and was raised in Patuanak. She attended the Beauval Indian Education Centre in Beauval graduating with her Grade 12 in 1995.

Immediately out of high school Misponas applied for and was accepted to a nursing program in La Ronge, but found she was not prepared for the life as a post-secondary student and new mother at the same time. Her first child, Jaimee, had been born only a few months earlier.

Misponas returned to Patuanak where she upgraded her high school marks and prepared to return to the nursing program.

Last fall she did just that, as she and Jaimee moved to Saskatoon to start their life in the city.

Misponas finds the course very challenging, but she is optimistic.

"It's difficult," she says. "But it's okay because we have a lot of help. The instructors are very good to us."

She says the first-year courses include Anatomy and Physiology as well as clinical practicums once a week at a Saskatoon health care facility.

Misponas says her SaskPower Northern Enterprise Fund Scholarship has provided needed assistance.

"It helped me a lot," she says. "With this help I was able to purchase some books and equipment to assist me in becoming a better student."

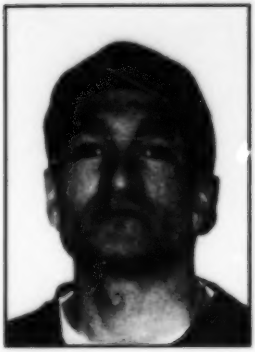
She says she will return to northern Saskatchewan upon the course completion.

"I will definitely go home to work," she says.

Scholarship Profile

JAMES DAIGNEAULT, ILE-A-LA CROSSE

Integrated Resource Management
SIAST, Prince Albert



Although it took a few years for James Daigneault to find his calling, he's only a few months away from reaching it now.

Daigneault is in his final year of the Integrated Resource Management Program at SIAST in Prince Albert, just months away from the completion of the course. The road here has had several twists and turns.

Daigneault was born in Ile-a-la Crosse thirty-five years ago and was raised and educated in that community. Following his time at Rossignol School he attended Northlands College in Buffalo Narrows on two occasions. Once he took an *Interior/Exterior Painting* course and later he enrolled in a *Pre-trade for Youth* course which offered an overview of career options.

For the next several years he was employed by the Northern Village of Ile-a-la Crosse as the Minor Sports Coordinator.

Although he enjoyed the work, he felt called to do something else with his life.

"I wanted to move on," he says. "I wanted a chance at a better paying job for the future of my family and myself."

Daigneault and spouse Yvette Gauthier have two children: 10-year-old Kerri and 6-year-old BJ. His family remains in Ile-a-la Crosse where Yvette is employed so Daigneault visits them as often as possible.

"I travel back home on weekends," he says.

Daigneault says he has a strong interest in forest fire management, which is one of the avenues open to him upon the course's completion. Other possibilities include employment in the areas of Fisheries, Forestry and Conservation.

Daigneault says he is optimistic about his future.

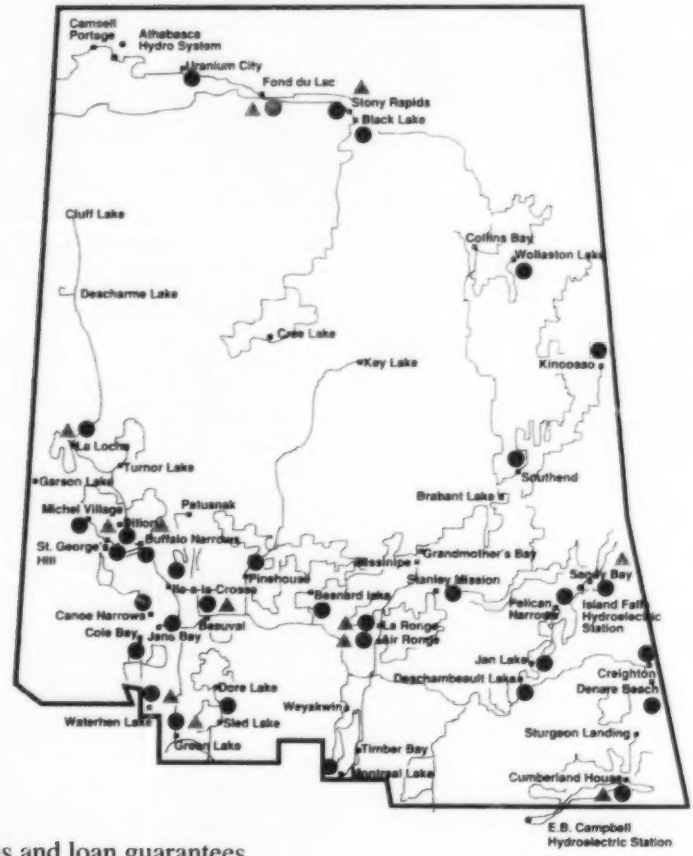
"They say 90 per cent of aboriginal IRM grads find work," he says.

Daigneault is very appreciative of the funding he received through the SaskPower Northern Enterprise Fund.

"It's been a big benefit to me with my family living back home. It's good that they sponsor northern people. A lot are hard-working. It benefits a wide variety of people."

SaskPower

NORTHERN ENTERPRISE FUND ADMINISTRATION DISTRICT



● Loans and loan guarantees
▲ Northern Spirit scholarships
■ Northern Municipality/First Nation
• SaskPower Hydroelectric Station

Highlights OF 1998

- SaskPower's ten year commitment to provide capital contributions to the Fund ended June 30, 1998.
- The Investment Fund Directors considered 74 applications for financing totalling $7.3 million in 1998. Thirty-nine (39) loans were approved, totalling $2.2 million, compared with 44 loans in 1997 totalling $2.3 million.
- The Northern Spirit Scholarship Committee considered 58 applications for scholarship in 1998. Twenty-four (24) scholarhips were awarded, totalling $60,000, compared with 21 scholarships in 1997 valued at $51,250.
- The Fund maintained investments totalling $595 thousand in the North West Credit Union (NWCU) in Buffalo Narrows. NWCU is the only financial institution in the Province which is exclusively owned by northerners.
- The Fund's participation (syndication) network expanded in 1998 through an agreement with Women Entrepreneurs of Saskatchewan Inc. Participation agreements are now in place with the following institutions:

  Visions North C.F.D.C., La Ronge
  North West Credit Union, Buffalo Narrows
  SaskNative Economic Development Corporation, Saskatoon
  Office of Northern Affairs, Northern Development Fund, La Ronge
  Beaver River C.F.D.C., Meadow Lake
  NewSask C.F.D.C., Tisdale
  Prince Albert Credit Union, La Ronge
  Saskatchewan Indian Equity Foundation Inc., Saskatoon
  Women Entrepreneurs of Saskatchewan Inc., Saskatoon

  In 1998 nine (9) northern businesses accessed long-term financing in excess of $2.8 million under these participation agreements. The Fund also continued to maintain close working relationships with Aboriginal Business Canada of Industry Canada (ABC) and the Clarence Campeau Development Fund (CCDF).
- The Fund, together with Beaver River Community Futures Development Corporation and financial assistance from Western Economic Diversification (WD) began planning a network centre facility in Beauval. Completion of the project is expected in the Spring of 1999.
- The fourth annual SPNEF Golf Classic was held at the Meadow Lake Golf Club on June 11, 1998 with over 80 participants.

Investments in
NORTHERN ECONOMY
at year end, in millions of dollars

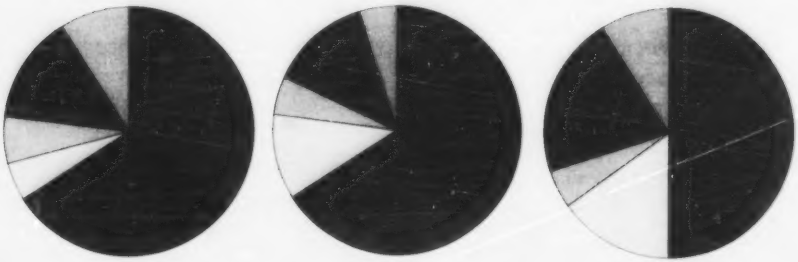
BY PROGRAMS

1992		1995		1998		
$		$		$		
0.05	5%	0.17	6%	3.64	76%	Loans
0.81	87%	1.64	55%	0.43	9%	Loan Guarantees
0.07	8%	1.15	39%	0.70	15%	Security Investments/Real Estate
0.93		2.96		4.77		

1992 1995 1998

BY INDUSTRY

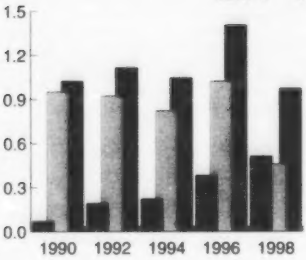
1992		1995		1998		
$		$		$		
0.10	11%	1.15	39%	0.70	15%	Finance/Real Estate
0.22	24%	0.61	21%	1.07	22%	Transportation/Communication
0.29	31%	0.17	6%	0.61	13%	Services
0.05	5%	0.34	11%	0.70	15%	Natural Resources
0.06	6%	0.16	5%	0.24	5%	Manufacturing
0.13	14%	0.39	13%	0.99	21%	Trade
0.08	9%	0.14	5%	0.46	9%	Construction
0.93		2.96		4.77		



1992 1995 1998

Revenue

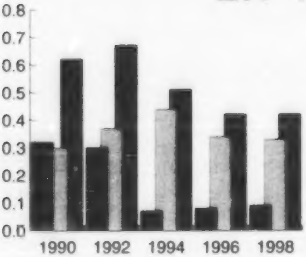
IN MILLIONS OF DOLLARS



1990	1992	1994	1996	1998	
$	$	$	$	$	
0.07	0.19	0.22	0.38	0.51	Own Source
0.95	0.92	0.82	1.02	0.46	SaskPower
1.02	1.11	1.04	1.40	0.97	Total

Expenditures

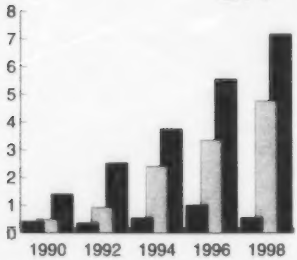
IN MILLIONS OF DOLLARS



1990	1992	1994	1996	1998	
$	$	$	$	$	
0.32	0.30	0.07	0.08	0.09	Other
0.30	0.37	0.44	0.34	0.33	Operating
0.62	0.67	0.51	0.42	0.42	Total

Balance Sheet Total

IN MILLIONS OF DOLLARS



1990	1992	1994	1996	1998	
$	$	$	$	$	
0.41	0.35	0.53	0.99	0.54	Annual Surplus
0.50	0.93	2.41	3.35	4.77	Investments in Northern Economy
1.39	2.50	3.72	5.52	7.15	Total Assets

Management's RESPONSIBILITY FOR FINANCIAL STATEMENTS

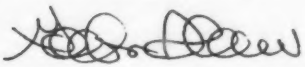
The accompanying financial statments of Northern Enterprise Fund Inc. have been prepared by management in accordance with generally accepted accounting principals, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

The corporation's independent auditors, Ernst & Young, have examined the financial statements of the Corporation. The scope of their examination, and their opinion on whether these financial statements present fairly the Corporation's financial position and operating results, are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals, and result in reliable financial statements.

The Board of Directors has reviewed and approved these financial statements.

On behalf of management



Gordon Shaw
Executive Director
March 5, 1999

Auditors' REPORT

To the Members of
Northern Enterprise Fund Inc.

We have audited the statement of assets, liabilities and fund surplus of **Northern Enterprise Fund Inc.** as at December 31, 1998 and the statements of revenue, expenditures and fund surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Ernst & Young

Saskatoon, Canada
March 5, 1999

Ernst & Young
Chartered Accountants

Northern Enterprise Fund Inc.
(Operating as SaskPower Northern Enterprise Fund)
(Incorporated under The Non-Profit Corporations Act of Saskatchewan)

Statement of ASSETS, LIABILITIES AND FUND SURPLUS

As at December 31

	1998 $	1997 $
ASSETS		
Current		
Cash	**45,001**	61,833
Short-term investments [note 3]	**1,679,746**	2,245,315
Accounts receivable [note 4]	**135,229**	158,019
Prepaid expenses	**1,112**	1,673
Current portion of loans receivable [note 5]	**842,619**	698,111
	2,703,707	3,164,951
Loans receivable [note 5]	**2,614,998**	1,776,591
Long-term investments and memberships [note 6]	**1,699,983**	1,575,007
Capital assets [note 7]	**126,234**	127,581
	4,441,215	3,479,179
	7,144,922	6,644,130
LIABILITIES AND FUND SURPLUS		
Current liabilities		
Accounts payable	**18,895**	18,143
Provision for loan guarantees [note 8]	**22,000**	65,370
	40,895	83,513
Fund surplus		
Funds held in trust for members	**100**	100
Funds committed to loan guarantees [note 8]	**430,548**	680,964
Unappropriated fund surplus	**6,673,379**	5,879,553
Fund surplus	**7,103,927**	6,560,517
	7,144,922	6,644,130

See accompanying notes

On behalf of the Board:

Director Director

Northern Enterprise Fund Inc.
(Operating as SaskPower
Northern Enterprise Fund)

Statement of REVENUE, EXPENDITURES AND FUND SURPLUS

Year ended December 31

	1998 $	1997 $
Royalty revenue	**457,518**	969,381
Interest and investment income	**503,274**	410,648
Rental income	**6,500**	5,500
	967,292	1,385,529
Operating expenditures		
Advertising and promotion	**14,326**	11,186
Amortization of capital assets	**12,989**	8,289
Application research	**5,210**	3,729
Directors' expenses	**59,090**	52,399
Office supplies and rent	**17,568**	17,740
Professional fees	**33,868**	47,414
Scholarships	**50,000**	50,000
Telephone	**9,389**	10,061
Travel	**12,417**	15,986
Utilities and property tax	**9,523**	6,768
Wages and benefits	**108,052**	98,763
	332,432	322,335
	634,860	1,063,194
Other income (expenditures)		
Defaulted loans	**(55,145)**	(6,107)
Payments on defaulted loan guarantees	**(42,479)**	(14,011)
Provision for loan and loan guarantee losses	**(38,930)**	29,830
Recoveries on loans and guarantees	**45,104**	109,999
	(91,450)	119,711
Excess of revenue over expenditures	**543,410**	1,182,905
Fund surplus, beginning of year	**6,560,517**	5,377,612
Fund surplus, end of year	**7,103,927**	6,560,517

See accompanying notes

Northern Enterprise Fund Inc.
(Operating as SaskPower
Northern Enterprise Fund)

Statement of CASH FLOWS

Year ended December 31

	1998 $	1997 $
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**543,410**	1,182,905
Add (deduct) charges to operations not requiring a current cash payment		
Amortization	**12,989**	8,289
Provision for loan and loan guarantee losses	**38,930**	(29,830)
Defaulted loans	**55,145**	6,107
Add changes in non-cash working capital items		
Decrease in accounts receivable	**22,790**	8,337
Decrease in prepaid expense	**561**	691
Increase in accounts payable	**752**	514
Cash provided by operating activities	**674,577**	1,177,013
INVESTING ACTIVITIES		
Advances on loans receivable	**(1,883,538)**	(1,929,847)
Repayments of loans receivable	**763,178**	427,479
(Increase) decrease in long-term investments	**(124,976)**	670,476
Purchase of capital assets	**(11,642)**	(19,982)
Assets held for realization	**——**	1,200
Cash used in investing activities	**(1,256,978)**	(850,674)
(Decrease) increase in cash and short-term investments during the year	**(582,401)**	326,339
Cash and short-term investments, beginning of year	**2,307,148**	1,980,809
Cash and short-term investments, end of year	**1,724,747**	2,307,148

See accompanying notes

Notes to FINANCIAL STATEMENTS

1. NATURE OF THE FUND

Northern Enterprise Fund Inc. ("NEFI") was incorporated in 1988 under The Business Corporations Act (Saskatchewan) for the purpose of establishing and managing the SaskPower Northern Enterprise Fund (the "Fund"). On November 1, 1990, NEFI was continued as a non-profit membership corporation under The Non-Profit Corporations Act (Saskatchewan). The objectives of the Fund are to stimulate economic growth in northern Saskatchewan, to encourage economic independence and to provide educational opportunities for residents of northern Saskatchewan. The Fund derived royalty revenue from an agreement with Saskatchewan Power Corporation (SaskPower) which expired June 30, 1998. These payments were based on the amount of electricity generated at SaskPower's hydro-electric stations in northern Saskatchewan to June 30, 1998.

Northern residents apply for financial assistance from the Fund for business ventures through loans or loan guarantees. Part of the Fund is also used for scholarships for northern residents attending technical schools or universities. Applications from northern residents for assistance or scholarships are reviewed by a board made up of a broadly based group of northern residents called the Investment Fund Directors. The Investment Fund Directors approve the applications and generally make all decisions with respect to the disposition of the Fund.

In the event of the liquidation, winding up or dissolution of NEFI, any residual property remaining in the Fund is to be distributed to the bodies described in subsection 199(5) of The Non-Profit Corporations Act at the absolute discretion of the Investment Fund Directors.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles, the more significant of which are as follows:

[a] Loan guarantees and loans receivable
Loan guarantees are granted when authorized by the Investment Fund Directors, a Loan Guarantee Agreement has been signed and the party involved has received a loan from a lending institution. A provision for loan guarantees is reflected in the accounts when it is determined that payment by the Fund under the guarantee is likely. A loan receivable is classified as non-performing when management has determined that there is a reasonable doubt as to the ultimate collectibility of principal or interest. The provision is established on a loan-by-loan basis for specifically identified probable losses on loans receivable. In addition a general provision is provided against unidentified future losses.

The Fund evaluates each borrower's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, by the Fund upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment and income producing commercial properties.

The Fund's lending activity is generally centered in Northern Saskatchewan. The Fund maintains a diversified portfolio with no significant industry concentrations of credit risk. Loans and loan guarantees are extended under the Fund's normal credit standards, controls, and monitoring features. Most credit commitments are short term in nature, and maturities generally do not exceed five years. Credit terms typically provide for fixed rates of interest and are generally not set for more than three to five years. Collateral is commonly required and would include such assets as marketable securities and cash equivalent assets, accounts receivable and inventory, equipment, other forms of personal property, and real estate.

Concentrations of Credit Risk - Financial instruments which potentially subject the Fund to concentrations of credit risk consist principally of loans receivable, securities, and loan guarantees. Management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions. Although the Fund's loan portfolio is diversified, a substantial portion of its borrowers' ability to honor the terms of their loans is dependent on business and economic conditions in Northern Saskatchewan and surrounding areas.

[b] Short-term and long-term investments

Short-term and long-term investments are recorded at the lower of cost or market value. Long-term investments are only written down when a decline in value is other than temporary.

[c] Capital assets and amortization

Capital assets are recorded at cost. Normal repair and maintenance costs are expensed as incurred. Amortization is recorded in the accounts on the diminishing balance basis as follows:

Building	5%
Furniture and equipment	20%
Computer equipment	33%
Vehicle	30%

3. SHORT-TERM INVESTMENTS

The market value of the short-term investments was $1,698,182 at December 31, 1998 ($2,262,801 at December 31, 1997). Included in short-term investments is $nil ($149,309 at December 31, 1997) in Province of Saskatchewan debentures.

4. ACCOUNTS RECEIVABLE

		1998 $	1997 $
SaskPower		—	72,995
Interest receivable	- investments	**72,043**	64,604
	- loans	**65,835**	23,109
Other		**1,040**	1,000
		138,918	161,708
Allowance for doubtful accounts		**(3,689)**	(3,689)
		135,229	158,019

5. LOANS RECEIVABLE

Loans receivable consist of the following:

	1998 $	1997 $
Loans receivable - performing	**1,937,505**	1,818,420
Loans receivable - non-performing	**1,699,812**	753,682
	3,637,317	2,572,102
Less provision for doubtful loans - specific items	**(144,700)**	(60,900)
- general provision	**(35,000)**	(36,500)
	3,457,617	2,474,702
Less current portion	**(842,619)**	(698,111)
	2,614,998	1,776,591

The maturity dates and average effective interest rates for the loan portfolio are as follows:

Maturity Dates

	1998							1997
	1999 $	2000 $	2001 $	2002 $	2003 $	Thereafter $	Total $	Total $
Effective rate	10.00%	9.80%	9.85%	9.85%	9.95%	9.77%	9.87%	9.85%
Loans receivable	96,263	201,777	958,944	863,461	646,092	870,780	3,637,317	2,572,102

6. LONG-TERM INVESTMENTS AND MEMBERSHIPS

Long-term investments and memberships consist of the following:

	1998 $	1997 $
Long-term investments	**1,699,883**	1,574,907
North West Credit Union membership	**100**	100
	1,699,983	1,575,007

The market value of the long-term investments was $1,708,065 at December 31, 1998 ($1,633,867 at December 31, 1997). Included in long-term investments is $357,754 ($299,400 at December 31, 1997) in Province of Saskatchewan bonds and debentures.

The maturity dates and average effective interest rates for long-term investments is as follows:

Maturity Dates

	1998							1997
	2000 $	2001 $	2002 $	2003 $	2004 $	Thereafter $	Total $	Total $
Effective rate	6.16%	4.73%	-	5%	-	5.6%	5.37%	7%
Carrying value	740,722	118,801	-	500,000	-	340,360	1,699,883	1,574,907
Northwest Credit Union membership							100	100
							1,699,983	1,575,007

7. CAPITAL ASSETS

	1998			1997
	COST $	ACCUMULATED AMORTIZATION $	NET $	NET $
Land	12,375	—	12,375	12,375
Building	103,380	20,034	83,346	87,733
Furniture and equipment	22,486	12,576	9,910	5,866
Computer equipment	16,311	5,953	10,358	6,971
Vehicle	15,011	4,766	10,245	14,636
	169,563	43,329	126,234	127,581

8. LOAN GUARANTEES

The Fund is contingently liable under guarantees of bank indebtedness for various third parties that total $430,548 at December 31, 1998 ($680,964 at December 31, 1997). An allowance for defaulted loan guarantees has been provided by NEFI in the financial statements in the amount of $22,000 ($65,370 in 1997).

The Fund maintains a surplus in an amount that is equal to or greater than the total amount of loan guarantees outstanding.

The remaining maturity dates of the loan guarantees are as follows:

Maturity Dates							
	1998						1997
	1999 $	2000 $	2001 $	2002 $	Thereafter $	Total $	Total $
Guarantee expires	99,292	183,756	107,500	40,000	-	430,548	680,964

9. COMMITMENTS

The Fund is committed to providing direct loans for $271,042 in fiscal 1998 and scholarships totaling $20,000 relating to scholarships awarded in the current year for the 1998/99 school year.

10. RELATED PARTY TRANSACTIONS

At December 31, 1998, a loan guarantee in the amount of $16,801 ($22,375 at December 31, 1997) and a direct loan of $57,000 was outstanding to a company controlled by an Investment Fund Director. NEFI's conflict of interest policies and procedures were followed in approving this loan guarantee and loan.

11. COMPARATIVE FIGURES

Certain of the comparative figures for 1997 have been reclassified to conform with the current year's presentation.

12. THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Organization

NORTHERN ENTERPRISE FUND

CORPORATE BOARD OF DIRECTORS
Larry D. Kram, Chairman, Resigned
Pat Hall, Director
Doreen Morin, Director

CORPORATE SECRETARY
F.G. Quennell

AUDITORS
Ernst & Young
Chartered Accountants

SOLICITORS
Robertson Stromberg
Barristers & Solicitors

INVESTMENT SERVICES
Merrill Lynch Inc.
CIBC Wood Gundy Securities Inc.

INVESTMENT FUND DIRECTORS
Elmer Campbell, Dillon
Harold Carriere, Cumberland House
Roy Cheecham, La Loche
Lawrence McIntyre, Patuanak
Doreen Morin, Sandy Bay
Joe Roberts, Stanley Mission
Carol Rowlett, La Ronge

MANAGEMENT & STAFF
Gordon Shaw, Executive Director
Larry Roy, Executive Assistant
Wendy Hood, Fund Secretary

FINANCIAL SERVICES
Prince Albert Credit Union
North West Credit Union

COMMUNICATIONS SERVICES
Aurora Communications Ltd.
Northern Pride Publications

SaskPower
Northern Enterprise Fund

SaskPower NORTHERN ENTERPRISE FUND

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